Saving for Non-Monthly Expenses

Where should I start?

A key step in personal or family financial management is the ability to set aside money for expenses that do not have to be paid monthly. These expenses may be due quarterly, semi-annually, or annually. Some examples are: homeowners insurance (if not included in your mortgage payment), renters insurance, car insurance, real estate taxes (if not included in your mortgage payment), city water and sewerage, and life insurance. These are important expenses. If you are unable to pay them, you can jeopardize your ability to drive to work, have tax liens on your home, or risk losing the insurance you and your family need in the event of a serious loss.

What can happen if I am not prepared?

If you don't have money set aside when these bills are due, you have two choices: borrow the money to pay the bill or risk the consequences of not paying it. Most people choose to borrow the money, but this can start a vicious cycle. If you borrow money through credit cards or personal finance loans, you now have another monthly bill to pay that can hurt your ability to set aside funds for the next bill. When the next bill comes in, you borrow more, and the cycle begins. Eventually, people who start the borrowing cycle usually run out of credit availability or become overwhelmed with the financial debt load.

How much do I need to handle these non-monthly expenses?

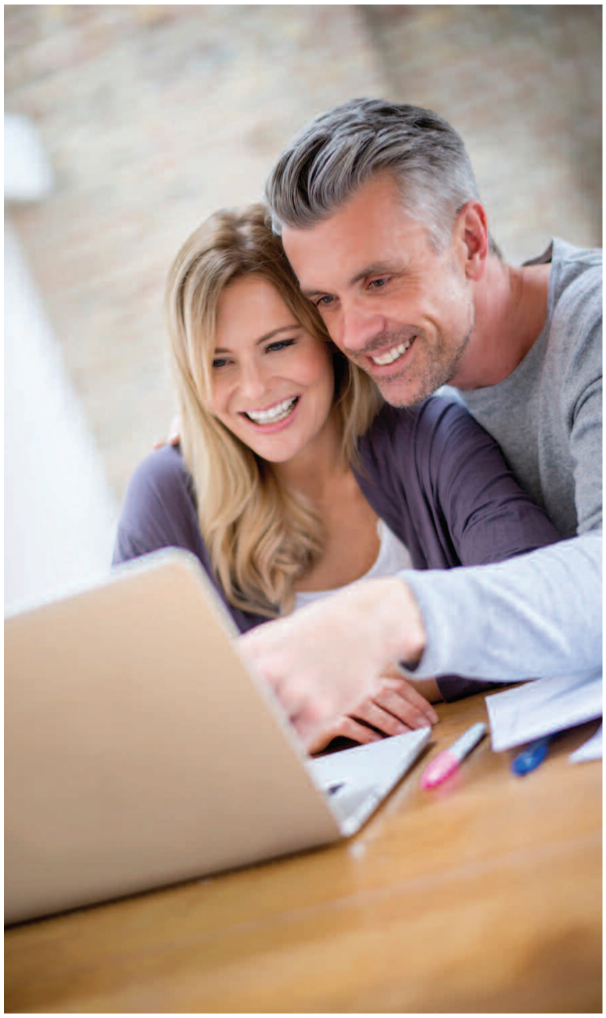
Let's use the following example: annual homeowners insurance of $600, annual car insurance of $1,000 and annual real estate taxes of $2,000. These total $3,600 annually, and that should be your goal. If you get paid each week, divide $3,600 by 52, and that indicates the need to set aside $69 per paycheck to handle these bills when they are due. If you get paid every two weeks, divide $3,600 by 26, and that indicates the need to set aside $138 every paycheck to handle these bills. The key is to determine how much you need each year for the non-monthly expenses, and then set aside enough money every time you get paid to handle the bill when it is due.

Where should I put the money, and what type of account should I use?

This money is for important personal or family needs, so experts suggest a basic savings or money market account in a financial institution that has FDIC deposit insurance. While these accounts don't pay the highest interest rates, the goal is to have the money in a safe place until you need it. Remember, these funds are for bills that come due within a year, so you are not investing for the long term. The keys are safety and the ability to withdraw the money when the bills come in. Try to avoid setting up ATM or debit card access since this money should not be used for impulse buying; it is for important household bills.

I'm having difficulty saving money for emergencies.

Call us at 1-800-992-4557, and a certified counselor will review your situation to give you some ideas, suggestions and options to help you.



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